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DE WTE #0354 0232103
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FM THE SITUATION ROOM//TOMAK 30//

TO BARBIAN/GOVEY/RODMAN FOR THE SECRETARY

T O P S E C R E T SENSITIVE EXCLUSIVELY EYES ONLY CONTAINS CODEWORD

VIA BLACK PATCH WH00111

TOMAK 30

JANUARY 23, 1976

MEMORANDUM FOR GENERAL SCORCROFT
FROM: THE SITUATION ROOM
SUBJECT: INFORMATION ITEMS

MORI/CDF
C03204523

PRC FOREIGN CURRENCY SHORTAGE: THE CHINESE ECONOMY IS SUFFERING FROM ACUTE FOREIGN EXCHANGE SHORTAGES STEMMING FROM LARGE TRADE DEFICITS. THE DEFICIT PROBLEM IS SO SEVERE THAT PEKING HAS DECIDED TO CENTRALIZE ALL DECISIONS PERTAINING TO FOREIGN EXCHANGE EXPENDITURES. TO OBTAIN FOREIGN EXCHANGE THE CHINESE SOLD MORE GOLD -- \$12 MILLION WORTH -- IN THE FIRST TWO WEEKS OF JANUARY THAN DURING ALL OF LAST YEAR. SHORT-TERM LOANS IN INTERNATIONAL MONEY MARKETS ARE ANOTHER SOURCE OF FOREIGN CURRENCY, BUT PEKING IS STILL RELUCTANT TO ALLOW LONG-TERM FINANCING OR JOINT INVESTMENTS IN CHINA'S INDUSTRIAL PROJECTS. A MOVE IN THIS DIRECTION IS SUGGESTED, HOWEVER, BY INDICATIONS THAT CHINA MAY NOW IMPORT ENTIRE PLANTS AND PAY FOR THEM WITH THE FACILITY'S PRODUCTION. WILLINGNESS TO ENTER LONG-TERM BARTER TRADE AGREEMENTS IS ANOTHER POSSIBLE CHANGE IN BASIC CHINESE POLICY.

EGYPTIAN INTERNAL SECURITY: TERRORISM IN REACTION TO CAIRO'S MODERATE MIDDLE EAST POLICIES, HAS CAUSED THE GOVERNMENT TO INCREASE SECURITY PRECAUTIONS AT THE COUNTRY'S AIRPORTS AND PORTS OF ENTRY. THE GOVERNMENT HAS ALWAYS STRESSED INTERNAL SECURITY, BUT THE NEW EMPHASIS STEMS FROM RADICAL ARAB REACTION TO THE SECOND SINAI DISENGAGEMENT AGREEMENT AND OTHER MODERATE EGYPTIAN MOVES.

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***** WHSR COMMENT *****

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TERRORIST ACTS SUCH AS THE SEPTEMBER INCIDENT INVOLVING EGYPT'S EMBASSY IN MADRID AND THE ATTACK ON THE VIENNA OPEC MEETING IN DECEMBER CLEARLY REFLECT GROWING DIFFERENCES BETWEEN RADICAL AND MORE CONSERVATIVE MIDDLE EAST REGIMES. SUCH ACTS WILL CAUSE OTHER MODERATE ARAB STATES TO INCREASE THEIR SECURITY MEASURES.

THE WASHINGTON STAR

JEREMIAH O'LEARY REPORTS THAT CONSIDERABLE CONSTERNATION REIGNED TODAY IN BOTH THE ISRAELI EMBASSY HERE AND THE STATE DEPARTMENT AT THE PREMATURE DISCLOSURE IN THE 1977 FEDERAL BUDGET THAT ISRAEL IS SLATED FOR A MULTI-MILLION DOLLAR CUT IN AMERICAN ARMS AID. (A-1)

HENRY BRADSHAW REPORTS THAT LAST YEAR'S MUTED CONTROVERSY OVER THE WAY THE EVACUATION OF SAIGON WAS HANDLED BY U.S. OFFICIALS WILL BE REVIVED ON TUESDAY WHEN AMBASSADOR MARTIN SPEAKS IN PUBLIC FOR THE FIRST TIME ON THE FINAL DAYS OF THE AMERICAN ROLE IN SOUTH VIETNAM. (A-1)

JOHN CREWSON REPORTS THAT THE HOUSE INTELLIGENCE COMMITTEE HAS OBTAINED EVIDENCE THAT, AS OF LAST YEAR, 11 FULL-TIME OFFICERS OF THE CIA WERE POSING AS JOURNALISTS OVERSEAS IN CONNECTION WITH THEIR INTELLIGENCE GATHERING WORK, ACCORDING TO AN AUTHORITATIVE SOURCE. (A-3)

THE LEAD EDITORIAL SAYS THAT THE LONG, CONFUSING INVESTIGATION OF THE CIA'S NECESSARILY SHADY PAST SEEMS, THUS FAR, TO HAVE BROUGHT US NO NEARER BROAD AGREEMENT ON REFORM. AMONG OTHER DIFFICULTIES THERE IS A SIMPLE PARALYSIS OF WILL. HAVING FINESSED THE ISSUE OF THE DIRECTORSHIP, CONGRESS IS NOW SETTLING IN TO DEBATE THE ISSUE OF OVERSIGHT. ADMITTEDLY, ALMOST ANY "REFORM" OF PAST OVERSIGHT PRACTICES WOULD BE AN IMPROVEMENT, AS ONE IS MORE THAN ZERO. THE STAR IS AT A LOSS TO GUESS HOW CONGRESS WILL RESOLVE THIS DILEMMA WHEN IT TAKES UP THE MATTER OF OVERSIGHT. THERE IS NO EVIDENT AGREEMENT ON THE ALLOWABLE SCOPE OF COVERT OPERATIONS; THE REALLY STICKY ISSUE. THE STAR HAS NO EASY ANSWERS TO PROPOSE. WE ASSUME, AS DO MOST, THAT THIS COUNTRY MUST SOME TIMES DO UNPLEASANT THINGS SECRETLY, AND ALSO THAT WHEN IT DOES THEM THERE MUST BE AN EFFECTIVE AND DISCREET

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MECHANISM OF CONGRESSIONAL CHECK AND APPROVAL -- IF ONLY
FOR THE TACTICAL REASON THAT WE DON'T WANT OUR NOSES BLOODIED
BY TATTLE-TALING EVERY TIME SOMEBODY LEARNS OF A SECRET
THAT DIDN'T WORK OUT. SOME JOINT SOBERING UP IS IN ORDER
BEFORE WE GET DOWN TO BRASS TACKS. (A-6)
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